

# The Corporation Trust Company Journal

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## REGULATIONS

OF THE

UNITED STATES TREASURY DEPARTMENT

Regarding the Deduction of the Income Tax  
at the Source on Interest Maturing on  
Bonds, Notes and Other Similar Obligations of Corporations, Joint Stock Companies, or Associations and Insurance Companies, Under the Provisions of Section II of the Act of October 3, 1913.

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The first edition of this Journal contained the Regulations in the form released for publication by the Treasury Department on October 25th. This edition contains the regulations as revised to date. Changes were made in the headings and the forms of certificates and in the provisions relating to partnerships.

**The following rulings, which were promulgated by the Commissioner of Internal Revenue on October 25, 1913, are the first of a series interpreting and supplementing the income tax law which will emanate from the Treasury Department for the guidance of collectors of internal revenue, taxpayers and others interested.**

**The Corporation Trust Company, following its usual policy, will publish these regulations and rulings as issued.**

# REGULATIONS

OF THE

## UNITED STATES TREASURY DEPARTMENT

**Regarding the Deduction of the Income Tax at the Source on Interest  
Maturing on Bonds, Notes and Other Similar Obligations of  
Corporations, Joint Stock Companies, or Associations  
and Insurance Companies, Under the Provisions  
of Section II of the Act of October 3, 1913.**

### TAX TO BE DEDUCTED AT SOURCE.

Under the Income Tax Law, enacted October 3, 1913, a tax of one per cent., designated in the law as the *normal* tax, shall be deducted at "the source", beginning November 1, 1913, from all income accruing and payable to:

- (a) Every citizen of the United States, whether residing at home or abroad, and to
- (b) Every person residing in the United States, though not a citizen thereof,

which may be derived from interest upon bonds and mortgages, or deeds of trust, or other similar obligations, including equipment trust agreements and receivers' certificates of corporations, joint stock companies or associations and insurance companies, although such interest does not amount to three thousand dollars, excepting only the interest upon the obligations of the United States or its possessions, or a State or any political subdivision thereof.

The term "Debtor", as hereinafter used, shall be construed to cover all corporations, joint stock companies, or associations and insurance companies.

### WHEN TAX SHALL BE WITHHELD BY DEBTOR.

For the purpose of collecting this tax on all coupons and registered interest, originating, or payable, in the United States the source shall be the Debtor (or its paying agent in the United States) which shall deduct the tax when same is to be withheld, and no other bank, trust company, banking firm, or individual taking coupons or interest orders for collection, or otherwise, shall withhold the tax thereon; *provided* that all such coupons, or orders, for registered interest, are accompanied by certificates of ownership signed by the owners of the bonds upon which the interest matured. These certificates shall be in the forms hereinafter prescribed and a separate certificate shall be made out by each owner of bonds for the coupons or interest orders for each separate issue of bonds or obligations of each Debtor.

### WHEN TAX SHALL BE WITHHELD BY FIRST COLLECTING AGENCY.

If, however, the coupons or interest orders are not accompanied by certificates as prescribed above, the first bank, trust company, banking firm or individ-

ual or collecting agency receiving the coupons or interest orders for collection, or otherwise, shall deduct and withhold the tax and shall attach to such coupons or interest orders its own certificate, giving the name and address of the owner of, or the person presenting such coupons or interest orders, if the owner is not known, with a description of the coupons or interest orders, also setting forth the fact that they are withholding the tax upon them; whereupon the Debtor shall not again withhold the tax on said coupons or interest orders, but in lieu thereof shall deliver to the Government the certificate of such bank, trust company, etc., which is withholding such tax money.

Any corporation, collecting agency, or person first receiving from the owner any interest coupons or orders for the collection of registered interest, and to whom the certificates above provided for are delivered, should require the persons tendering such coupons or orders for registered interest to satisfactorily establish their identity.

### **PAYMENT OF REGISTERED INTEREST BY DEBTORS.**

A Debtor, whose bonds may be registered, both as to principal and interest, shall deduct the normal tax of one per cent. from the accruing interest on all bonds before sending out checks for said interest to registered owners or before paying such interest upon interest orders signed by the registered holders of said bonds until there shall be filed with said Debtor, or its fiscal agent, (and not later than thirty (30) days prior to March 1st), through whom said interest is customarily paid, the proper certificates claiming exemption from liability for said tax as herein provided, executed as follows:

By a citizen or resident of the United States, the *bona fide* owner of the registered obligations, who may claim exemption under Paragraph C, Section 2, of the Federal Income Tax Law, or

By Corporations, joint stock companies, associations or insurance companies organized in the United States, or organizations, associations, fraternities, etc., which are either taxable or exempt from taxation, as provided in Paragraph G, Subdivision A of the Act, or

By a *bona fide* resident and citizen of a foreign country, claiming exemption as such.

### **DESIGNATION OF FISCAL AGENCIES.**

The "Debtor" may appoint paying or fiscal agents to act for it in matters pertaining to the collection of this tax, upon filing with the collector of internal revenue for its district a proper notice of the appointment of such agent or agents.

### **CERTIFICATES CLAIMING EXEMPTION.**

If the owners of the bonds are individuals, who are citizens or residents of the United States, the aforesaid certificates shall accompany the coupons, or with respect to the interest on registered bonds shall be filed with payer of said interest, and such certificates shall describe the bonds and show the amount of coupons attached, or the amount of interest due such owners on registered bonds and the full name and address of the owners and shall also state whether they claim, or do not then claim exemption from taxation at the source provided for by Paragraph C, of Section II of the Federal Income Tax Law (\$3000 and under certain conditions \$4000) as to the income represented by such coupons or interest.

The certificates shall also show the amount, if any, of exemption claimed and the date of signature.

The form of certificate to be used for this purpose shall be substantially as follows:

**FORM OF CERTIFICATE TO BE PRESENTED WITH COUPONS  
OR INTEREST ORDERS STATING WHETHER OR NOT  
EXEMPTION IS CLAIMED UNDER PARAGRAPH C,  
SECTION 2, OF THE FEDERAL INCOME TAX LAW.**

I do solemnly declare that I, .....,  
a citizen or resident of the United States, and residing at .....,  
am the owner of \$..... bonds of the de-  
nominations of \$..... each, Nos. ....  
of the .....  
(give name of Debtor)

known as ..... bonds  
(describe the particular issue of bonds)  
from which were detached the accompanying coupons, due ..... 191.,  
amounting to \$....., or upon which there matured.....  
191., \$..... of registered interest.

I (do ) now claim with respect to the income represented by said in-  
(do not)  
terest, the benefit of a deduction of \$..... allowed under Paragraph  
C, Section II, of the Federal Income Tax Law.

Name .....

Address .....

Date: ....., 191..

Whenever interest coupons accompanied by a certificate of an individual who is a citizen or resident of the United States, as aforesaid, are presented to a Debtor or its fiscal agent for payment, or whenever interest is payable to such individual on a bond registered as to both principal and interest, the Debtor or its fiscal agents shall deduct and withhold the amount of the normal tax, except to the extent that exemption is claimed in the certificate of ownership in the form herein prescribed.

Where the interest to be paid is registered, the same form of certificate shall be used where exemptions are claimed, except that it shall be filed with the Debtor at least five (5) days before the due date of such interest.

**BY WHOM SIGNED.**

These certificates must be signed by the claimants with their full name, and contain their post-office and street address, also the date when signed.

Duly authorized agents, trustees acting in a trust capacity, etc., may sign such certificates for the persons for whom they act.

**ORGANIZATIONS WHOSE INTEREST COUPONS ARE NOT  
TAXED AT SOURCE.**

If the owners of the bonds are corporations, joint stock companies, associations or insurance companies organized in the United States, no matter how created or organized, or organizations, associations, fraternities, etc., which are either taxable or exempt from taxation as provided in paragraph G, subdivision A of the Act, the debtor is not required to withhold or deduct the tax upon income derived from interest on such bonds, provided coupons or orders for interest from such bonds shall be accompanied by a certificate of the owners thereof, certifying to such ownership, which certificates shall be filed with the debtor when such coupons or interest orders are presented for payment.

Such certificate shall be substantially in the following form:

**CERTIFICATE TO BE FURNISHED BY ORGANIZATIONS NOT  
SUBJECT TO TAX ON INTEREST AT SOURCE.**

I, \_\_\_\_\_ (give name)  
the \_\_\_\_\_ of the \_\_\_\_\_ (name of organization)  
a \_\_\_\_\_ (character of organization) of \_\_\_\_\_ located at \_\_\_\_\_  
\_\_\_\_\_ (State) do solemnly declare  
\_\_\_\_\_ (post office address)  
that said \_\_\_\_\_ is the owner of \$ \_\_\_\_\_  
\_\_\_\_\_ (give name of organization)  
bonds of the denomination of \$ \_\_\_\_\_ each, Nos. \_\_\_\_\_  
\_\_\_\_\_ of the \_\_\_\_\_  
\_\_\_\_\_ (give name of Debtor)  
known as \_\_\_\_\_ bonds,  
\_\_\_\_\_ (describe particular issue of bonds)  
from which were detached the accompanying coupons, due \_\_\_\_\_  
191\_\_\_\_, amounting to \$ \_\_\_\_\_, or upon which there matured \_\_\_\_\_  
191\_\_\_\_, 191\_\_\_\_, \$ \_\_\_\_\_ of registered interest, and that under the  
provisions of the income tax law of October 3, 1913, said interest is exempt  
from the payment of taxes collectible at the source, which exemption is hereby  
claimed.

Name .....  
(official position)  
of .....  
(name of organization)

Date ....., 191... Address .....  
(post office)

This certificate must be signed by the full name of the organization, stating its place of business, and by the President, Secretary, or some other principal officer of the said corporation or organization duly authorized to sign same, together with the date of execution.

HOW COLLECTED WHEN NOT ACCOMPANIED BY THE  
CERTIFICATE OF OWNER.

Where coupons are not accompanied by the ownership certificates, the form to be executed by the first bank, trust company, banking firm, individual, or collection agency; receiving the same for collection or otherwise, which must accompany the coupons or interest orders, shall be substantially as follows:

**FORM OF CERTIFICATE TO BE PRESENTED WITH COUPONS  
OR INTEREST ORDERS WHEN NOT ACCOMPANIED  
BY CERTIFICATE OF OWNERS:**

I, ..... the .....  
 (name) (official position)  
 of the ..... of ..... do solemnly declare  
 (bank or collecting agency) (address)  
 that said ..... has (or have) purchased or accepted for collection  
 (collecting agency)  
 the accompanying coupons or interest orders amounting to \$....., and which  
 represent interest matured on \$..... of bonds of the .....  
 (name of debtor)

and that ..... received said coupons or orders for  
registered interest from ..... of  
.....  
....., and that no certificate of owner-  
ship accompanied said coupons or interest orders, and .....  
hereby acknowledges responsibility of withholding therefrom the normal in-  
come tax of 1 per cent. in accordance with the regulations of the Treasury  
Department.

Name .....  
(collecting agency)

By .....  
(signature of officer duly authorized to  
sign, and his official position)

Address .....  
(give full address)

Date ....., 191...

This certificate shall be dated and signed by and shall state the address of  
the corporation, organization, collecting agency, or person, withholding the  
tax, with full name and address.

#### FINAL DISPOSITION OF CERTIFICATES.

The Debtor, or paying agents, shall deliver all certificates with the list  
of names and addresses of those for whom the Tax has been withheld, show-  
ing amounts, as required by law, to the *Collector of Internal Revenue* for  
their district on or before the 20th day of the month succeeding that in which  
said certificates were received by them.

#### INTEREST DUE BEFORE MARCH 1, 1913.

The tax shall not be withheld on coupons, or registered interest, maturing  
and payable before March 1, 1913, although presented for payment at a later  
date.

#### LICENSE REQUIRED FOR COLLECTION OF INCOME FROM FOREIGN COUNTRIES.

All persons, firms or corporations undertaking for accommodation or profit  
(this includes handling either by way of purchase or collection) the collection  
of coupons, checks, bills of exchange, etc., for or in payment of interest upon  
bonds issued in foreign countries and upon foreign mortgages, or like obliga-  
tions, and for any dividends upon stock or interest upon obligations of foreign  
corporations, associations or insurance companies engaged in business  
in foreign countries, are required by law to obtain a license from the Com-  
missioner of Internal Revenue and may be required to give bond in such amount  
and under such conditions as the Commissioner of Internal Revenue may  
prescribe.

#### BY WHOM TAX IS WITHHELD.

The licensed person, firm or corporation first receiving any such foreign  
items, for collection, or otherwise, shall withhold therefrom the normal tax  
of 1%, and will be held responsible therefor. He (the licensee) shall thereupon  
endorse or stamp thereon the words "Income tax withheld by" (giving his or  
their name, address and date), which shall be sufficient evidence to relieve sub-  
sequent holders or purchasers from the duty of also withholding the income tax.

If the size of nature of such coupons, checks, etc., makes it impracticable to make said endorsement as above, a statement identifying the item on which tax is withheld and bearing said endorsement may be attached thereto with the same effect as if the endorsement was made directly thereon.

### **LIST OF TAX COLLECTIONS ON FOREIGN ITEMS.**

Such licensee shall obtain the names and addresses of the persons from whom such items are received and shall prepare a list of same and file it with the Collector of Internal Revenue for his district not later than the 20th of the month next succeeding the receipt of such items. The list shall be dated and shall contain the names and addresses of the taxable persons and the amount of tax deducted, and from what source collected.

### **CERTIFICATES TO SECURE TAX EXEMPTION ON FOREIGN ITEMS.**

In the event such coupons, checks or bills of exchange above mentioned, are presented for collection by an individual claiming the benefit of the deductions allowable under paragraph C, Section II, of the Federal income tax law, such individual shall be permitted to avail himself of the deduction claimed, upon signing on the form heretofore prescribed for coupons payable in the United States, and no tax shall be deducted for the amount of the exemption so claimed; or if such items are presented by corporations, joint stock companies or associations and insurance companies, organized in the United States, the form of certificate heretofore prescribed for such organizations shall be used, and in such instances no tax shall be deducted.

In both instances, the licensee first receiving such items shall retain such certificates for delivery with the lists aforesaid to the Collector of Internal Revenue for his district, not later than the 20th of the month next succeeding that in which said items were received, and with respect to said coupons, checks or bills of exchange, said licensee shall attach thereto (identifying the items) or endorse, or stamp thereon the words "Income tax exemption claimed through" (giving name and address of licensee) which shall be sufficient evidence to relieve subsequent holders or purchasers from the duty of also withholding the tax thereon.

The provisions for collection of the tax on foreign obligations set forth in this section of the regulations, includes the interest upon all foreign bonds, even though the coupons may be at the option of the holder, payable in the United States as well as in some foreign country.

### **ACCURATE RECORD TO BE KEPT BY LICENSEES.**

All persons licensed shall keep their records in such manner as to show from whom every such item has been received and such records shall be open at all times to the inspection of Internal Revenue officers.

### **PENALTY FOR OMISSION TO OBTAIN LICENSE.**

Failure to obtain license or to comply with regulations is punishable by a fine not exceeding \$5,000, or imprisonment not exceeding one year, or both, in the discretion of the Court. Such licenses shall continue in force until revoked.

Application for such licenses should be made to the Collectors of Internal Revenue for the district in which they are engaged in business, and may be issued without cost to such persons as the Commissioner may approve, upon their filing with the Collector the bond herein provided for.

All persons in making application to the Collector of Internal Revenue for such licenses, shall register their names and addresses and state the nature of the business in which they are engaged. Such application for the license, accompanied by a proper surety bond, when both have been approved by the



Collector will be considered a sufficient compliance with the law to enable the persons making application to do business until February 1, 1914, without incurring the penalties provided by law for failure to procure the required license.

### PENALTY FOR FALSE STATEMENTS.

*If any person, for the purpose of obtaining any allowance or reduction by virtue of a claim for exemption, either for himself or for any other, knowingly makes a false statement or false or fraudulent representation, he is liable under the Act to severe penalties.*

### PARTNERSHIPS.

Where coupons or interest orders, presented for payment, represent the interest on bonds, or other similar obligations, owned by a partnership, they shall be accompanied by a certificate of ownership, which shall be signed either in the firm's name by one member of the firm or by each individual member of the partnership, and the normal tax shall be withheld by the debtor with respect to the income represented by said interest.

Said certificate of ownership shall be in substantially the following form:

#### FORM OF CERTIFICATE TO BE FILLED OUT AND SIGNED BY MEMBERS OF PARTNERSHIPS.

The following certificate should be used when coupons or interest orders are presented by citizens or residents of the United States for collection of interest on bonds, or other similar obligations, owned by the partnerships of which they are members:

I, ....., a member of the firm or partnership of ..... of ..... and residing at ..... (give full address)  
do solemnly declare that the said partnership is the owner of \$..... bonds of the denomination of \$..... each, Nos..... of the ..... (give name of debtor)  
known as ..... bonds, from which were detached the (describe the particular issue of bonds)  
accompanying interest coupons, due....., 191.., amounting to \$....., or upon which there matured....., 191.., \$..... of registered interest, and that the name and address of said firm or partnership, and the names of the individual members thereof, and their places of residence, are as follows:

Names of partners:

Address:

.....  
.....  
.....  
.....

Name of partner signing:.....

Of firm of:.....

Address: .....

Date, ....., 191...

Any member of a partnership, who is entitled to a deduction (under Paragraph C, Section II, of the Income Tax Law) of his *pro rata* share of the

tax which may be withheld at the source on interest on bonds owned by his copartnership, as above, may claim such deduction or allowance when he shall make his individual income tax return for the year in which said deduction at the source was made.

### **NON-RESIDENT FOREIGNERS OWNING INTEREST BEARING BONDS NOT SUBJECT TO TAXATION ON INCOME FROM SUCH BONDS IF PROPER CERTIFICATE FURNISHED.**

This tax will not be deducted from the income which may be derived from interest on bonds, mortgages, equipment trusts, receivers' certificates, or other similar obligations of which the *bona fide* owners are citizens of foreign countries residing in foreign countries, *Provided*, that, when such interest coupons or, in case of wholly registered bonds, the orders for the payment of such interest, shall be accompanied by duly certified certificates hereinafter provided for to cover the cases of foreign and non-resident owners of bonds and other securities.

Unless such proof of foreign ownership is duly furnished, the normal tax of 1% shall be deducted as herein provided.

Such certificate shall be in substantially the following form:

### **FORM OF CERTIFICATE TO BE PRESENTED WITH COUPONS OR INTEREST ORDERS, DETACHED FROM BONDS OR OTHER OBLIGATIONS OWNED BY THOSE WHO ARE BOTH CITIZENS OR SUBJECTS, AND RESIDENTS OF FOREIGN COUNTRIES.**

"I do solemnly declare that I am not a citizen or resident of the United States of America, but a subject (or citizen) of..... and that I am the owner of \$..... bonds of the denominations of \$..... each, Nos. ....

....., known as of the ..... (give name of debtor corporation)

..... bonds, (describe the particular issue of bonds)

from which were detached the accompanying coupons, due..... 191., amounting to \$....., or upon which there matured

....., 191., \$....., of registered interest, and that being a non-resident foreigner, I am exempt from the income tax imposed on such interest by the United States Government under the law enacted October 3, 1913, and that no citizen of the United States, wherever residing, or foreigner residing in the United States, or any of its possessions, has any interest in said bonds, coupons, or interest.

Signature of

Owner of Bonds ..... (give full name)

Date:....., 191... Address ..... (give full post office address)

### **TEMPORARY PROVISION.**

In view of the fact that the time required for the interpretation of the law and preparation and issuance of these regulations brings the date so near November first, and that many coupons payable upon that date are already in transit without the prescribed certificates attached, with a desire to cause as small an amount of inconvenience as possible to bondholders and general

business as may be compatible with the provisions of the law and of these regulations, the following temporary provision is made:

On November 1, 1913, and for fifteen days thereafter, coupons presented to a Debtor need not be accompanied by certificates in any of the forms hereinbefore described, provided that such coupons are accompanied by a certificate substantially in the following form:

**FORM OF TEMPORARY CERTIFICATES WHICH MAY BE USED  
ONLY PRIOR TO NOVEMBER 16, 1913, SUBJECT  
TO SUBSTITUTION.**

I (we) hereby certify that I am (we are) lawfully entitled to present for payment the accompanying coupons or interest orders amounting to \$..... (giving amount) representing interest matured on the following bonds ..... (giving name of debtor and designating the description, style, and numbers of the bonds); that said coupons or interest orders came into my (our) possession unaccompanied by a certificate of ownership of said bonds, in any of the forms required by the regulations of the United States Treasury Department; and that the name and address of the owner of such bonds are as follows:..... (give name and address of owner; if impossible to do this, so state).

Name of person, firm, or corporation presenting coupons:

.....  
Address.....

On or before February 1, 1914, certificates of ownership of any of the bonds from which were detached coupons mentioned in such temporary certificate, in any of the forms above set forth, may be delivered to the Debtor; and said Debtor may thereupon return any sum withheld to which the owner of such bonds may be entitled under the law and regulations, upon the facts disclosed by such ownership certificates. Any temporary certificates relating to bonds for which certificates of ownership shall not have been delivered to the Debtor shall, on or before March 1, 1914, be delivered to the Collector of Internal Revenue.

All forms of certificates herein provided for shall be 8 inches wide and 3½ inches from top to bottom, and printed on paper corresponding in weight and texture to glazed bond paper 17 by 28, about 26 pounds to the ream of 500 sheets, or white writing paper 21 by 32, about 32 pounds to the ream of 500 sheets, and the person or corporation first receiving coupons for collection shall write or stamp his or its name and address and date on the back of said certificates.

W. H. OSBORN,  
*Commissioner of Internal Revenue.*

Approved October 25, 1913.

W. G. McANOO,  
*Secretary of the Treasury.*

# The New Federal Income Tax Law

In effect now.

Requires employers to collect the tax of employees.

Tenants collect the tax of landlords.

Corporations collect the tax of bondholders.

Trustees, executors, agents and others are also charged with the same duty.

## Do You Know?

Under what circumstances you may be held personally liable for the tax of another?

## A Valuable Explanation

of the law and comment on its various provisions has been prepared by Mr. Luther F. Speer, now Deputy Commissioner of Internal Revenue, who will have charge of the collection of the tax.

It is published, together with a copy of the law, by

**The Corporation Trust Company**

It is for sale at newsstands and bookstores

The price is twenty-five cents. The title is:

## FEDERAL INCOME TAX LAW

affecting  
Individuals and Corporations  
with

### An Analysis of the Act and Explanatory Notes

by

**LUTHER F. SPEER**

Deputy Commissioner of Internal Revenue,  
United States Treasury

## The Corporation Trust Company

**KENNETH K. McLAREN, President**

### SYSTEM

37 Wall Street, New York  
511 Exchange Building, Boston  
(Corporation Registration Co.)  
281 St. John Street, Portland, Me.  
394 Du Pont Bldg., Wilmington, Del.  
(Corporation Trust Co. of America)  
1639 Oliver Building, Pittsburgh

112 West Adams Street, Chicago  
15 Exchange Place, Jersey City  
1428 Land Title Bldg., Philadelphia  
922 New Bank of Commerce Bldg.,  
St. Louis  
501 Colorado Bldg., Washington, D. C.  
304 Market Street, Camden, N. J.

